

EXHIBIT E

APPROVED

MEMBER LOAN POLICY & PROCEDURE
CENTRAL GROCERS, INC.

Central Grocers, Inc. (the "**Company**") hereby adopts this Member Loan Policy & Procedure (the "**Member Loan Policy**"), subject to terms and provisions of the Company's loan facilities, the terms and qualification with its existing lenders, and its By-Laws for all types of loan facilities entered into by and between the Company and its members (the "**Member Loan(s)**").

I. Purpose of Member Loans

Subject to certain Member Loan policies, procedures and qualifications established by the Company, which may be amended from time to time by the Company's Board of Directors (the "**Board**") without notice to the full membership, the Company may, but is under no obligation to, extend or advance Member Loans to qualifying members of the Company who are in good standing. The Member Loans shall be used for purposes of purchasing inventory, expanding, developing a member's store, acquiring assets with the specific intention to increase its market share and presence within its grocery market, to promote wholesale volume growth, and any other lawful purposes approved by the Company (the "**Authorized Purposes**"). Management of the Company is authorized, directed, and empowered to consider, execute, fund, and disburse Member Loans in accordance with the policies and procedures set forth herein.

II. Loan Qualifications

All eligible members of the Company may request a Member Loan (the "**Requesting Member**" or "**Member**"). Status as a Member of Company does not guarantee that a Member Loan will be offered or granted. When the Company considers whether to approve or deny a request for a Member Loan, and/or in its determination of the Member Loan amount to approve and extend to the Requesting Member, the Company shall not discriminate based on a Member's age, color, race, creed, gender, sex, marital status, national origin, mental or physical disability, religious affiliation, sexual orientation, or veteran status. To qualify for a Member Loan, a Requesting Member must be a Member in good standing in accordance with the Secretary of State of Illinois, Illinois Department of Revenue, Illinois Department of Employment Security, Illinois Department of Labor, and any other regulatory department or agency in the State of Illinois and/or any other jurisdiction in which Requesting Member is registered to do business (if applicable). Requesting Member shall also be "Good Standing" as defined under the terms and provisions of the Company's By-Laws and Rules and Regulations. A Requesting Member must also demonstrate its creditworthiness, financial strength, and ability to repay the Member Loan to the satisfaction of the Company. Company's Members shall only use disbursed Member Loan proceeds for the Authorized Purpose(s) for which the Member Loan is granted. The Company reserves the right to require the Requesting Member to satisfy and/or agree to all other Member Loan terms, qualifications,

covenants, conditions, or requirements as it may required by Company from time to time. In determining whether to approve a Member Loan request, the Company may consider, in a uniform and nondiscriminatory manner, any reasonable factors and information that it deems relevant or necessary to approve or deny a Member Loan. Any information relied upon by Company in granting a Member Loan in which a Requesting Member provides false, misleading, or incomplete information shall be deemed void, and any Member Loan monies issued to or to the benefit of Member or any related party shall be promptly repaid to Company, upon demand. Any Requesting Member who has or had an uncured default arising out of or relating to a previous Member Loan or any other loan issued by the Company, or any Requesting Member who has a Member Loan canceled, in whole or in part, for non-payment, shall not be eligible for a new Member Loan. Each Member Loan granted shall be subject to the terms, covenants, and conditions of the Company's By-Laws and lien rights.

III. Policies & Procedures

1. *Member Loan Amounts and Qualifications.*

- A. *Expansion Loans.* A Requesting Member may apply for a Member Loan up to: (i) ten times (10x) its projected increase in weekly purchases; or (ii) fifteen times (15x) the total square footage of the Requesting Member's new store or the portion of the Requesting Member's existing store in which the Requesting Member is expanding, to a maximum loan amount of FIVE HUNDRED THOUSAND AND 00/100 DOLLARS (\$500,000.00) per retail store owned by Requesting Member (an "**Expansion Loan**"), if the Company's loan qualification requirements are met by the Requesting Member.
- B. *Board Approved Loans.* Member Loans that do not satisfy the Company's loan qualifications to be deemed a qualifying Expansion Loan, or an Inventory Stocking Loan as set forth herein, or any requested Member Loans in excess of the maximum loan amount of FIVE HUNDRED THOUSAND AND 00/100 DOLLARS (\$500,000.00) per retail store owned by Member (the "**Board Approved Loans**") shall be given special consideration and review, and shall be approved or denied by the Board on a case-by-case basis.
- C. *Inventory Stocking Loans.* Subject to satisfaction of the Company's loan qualification requirements, a Requesting Member may apply for an Inventory Stocking Loan for ninety (90) day interest-free loan amounts up to \$20.00 per square foot of the total retail square footage of Requesting Member's new retail store or the portion of Requesting Member's existing retail store in which the Requesting Member is expanding. Inventory Stocking Loans shall only be issued for purposes of stocking inventory purchased through the Company to retail outlets, and the ninety (90) day interest-free period shall begin once the Requesting Member's retail store and the expansion space opens for business to the general public. The unpaid balance of a Member's Inventory Stocking Loan shall be timely paid on or before the 91st day from the sooner of: (a) the date set

forth in the Member Loan documents; or (b) the date the expansion space is open for business to the general public (the “**Maturity Date**”). In the event such Member does not repay its Inventory Stocking Loan on or before the Inventory Stocking Loan Maturity Date, said Member shall be deemed in default.

2. *Loan Approval.* All Member Loan requests and questions should be directed to the Loan Administrator. The Company’s Chief Financial Officer (CFO) shall be considered the Loan Administrator for all Member Loans (the “**Loan Administrator**”). All Expansion Loan and Inventory Stocking Loan requests shall be exclusively reviewed and decided by Company management which may include the Company’s President, Chief Executive Officer, CFO, and/or any other member of Company’s upper management expressly authorized in writing to approve Expansion Loan requests. All discretionary administrative, procedural, and clerical authority and decisions relating to a Requesting Member’s Loan shall be made by the Company’s Loan Administrator. Generally, requests for Member Loans are considered on a “first-come, first serve” basis. Member Loans shall be approved or denied based on factors and considerations including, but not limited to, a Requesting Member’s creditworthiness and credit history, adequacy of collateral, corporate and/or personal assets, debt-to-income ratio, historic and projected financial performance, length of a Requesting Member’s membership with Company, amount of working capital, experience, information obtained through Company’s due diligence, and any other relevant factors that Company deems material in making its determination whether or not to grant a Requesting Member’s request for issuance of a Member Loan. Reasonable efforts shall be made to either approve or deny Member Loan requests within thirty (30) days from a Requesting Member’s date of submission. If applicable, Requesting Members shall be notified with the Company’s basis of its denial for a Member Loan. If a Member Loan request is approved by Company, the Member shall execute and deliver all Member Loan documents as may be required by Company, from time to time, as a condition precedent to the disbursement of any Member Loan proceeds (See, Section 3). Requesting Members authorize the Company and its Loan Administrator to order, perform, or have performed, and/or obtain a UCC lien search, tax search, credit report, Dun & Bradstreet report, risk analysis report, background check, and/or judgment search on any such Requesting Member, any related guarantor, and/or any affiliate or subsidiary of Requesting Member as a condition of Company’s grant of a Member Loan.
3. *Loan Documents.* All necessary or requested information shall be provided to the Company’s legal counsel for the preparation of applicable Member Loan documents for each Member Loan. Standard Member Loan documents shall generally include, but is not necessarily limited to, the following:
 - Promissory Note
 - Board Resolution from the member’s company authorizing the Member Loan;
 - Security Agreement;
 - Personal Guaranty Agreement(s);

- Business Purpose Affidavit(s);
- UCC-1 financing statement(s);

Additional Member Loan documents may include the following document(s) based on a member's credit worthiness:

- Mortgage
- Cross-Collateralization (Cross-Default) Agreement
- Hypothecation Agreement

Funding and disbursement of Member Loans shall be approved only after all Member Loan documents, which are required by Company, are properly executed by the Requesting Member (and any required guarantors), and such executed Member Loan documents are timely delivered to the Company.

4. *Member Loan Term Limit.* The repayment term of all Member Loans shall be limited to a maximum term of five (5) years. Repayment terms may be structured to require weekly payments and/or application of annual cash patronage rebates in an effort to accomplish timely and proper repayment of a Member Loan.
5. *Member Loan Interest Rates and Late Charges.* Member Loans shall accrue interest at an annual floating rate of interest which approximates the Company's maximum cost of funds based on its then current pricing grid, plus a Member Loan Accommodation Premium. The Member Loan Accommodation Premium shall be equal to 1.5% (150 basis points) over the Company's maximum cost of funds less discounts if Member is an Active Participant (as herein defined) in the meat purchasing program and produce purchasing program (the "**Accommodation Premium**"). The final interest rate, as determined pursuant to the above, will be expressed as a function of the Prime Rate, as reported in the *Wall Street Journal*. The term "**Active Participant**" means the term period in which a Member purchases over fifty percent (50%) of its produce or meat department's purchases, as the case may be, from the Company. While a Member qualifies as an Active Participant, such Member is entitled to a separate discount equal to 50 basis points for each program. Company reserves the right to adjust a Member's interest rate under its Member Loan, without notice, in order to effectuate the termination of any applicable Accommodation Premium discount. Company reserves the right to include an interest rate floor to any Member Loan. A default rate of interest, if applicable, shall accrue at a rate equal to the Prime Rate plus four percent (4%) on any overdue payment of principal under a Member Loan. A late charge equal to five percent (5%) shall be applied against any overdue payment of principal under a Member Loan.
6. *Member Loan Requests/Processing Fees.* All costs and expenses relating to Member Loans including, but not limited to, Member Loan documentation preparation, Member Loan processing, recording costs, and reasonable attorneys' fees (the "**Loan Fees**") shall be borne and paid by the Requesting Member. Currently, such Loan Fees are approximately 0.5% of a Requesting Member's Member Loan amount, or

1% of the Member Loan amount if the loan requires a Requesting Member to pledge real estate as collateral. At the discretion of the Company, Loan Fees may be added to the amount of Member Loan requested.

7. *Treatment of Patronage Rebates.* Depending on the amortization of the interest under a Member Loan, and the agreed upon principal and payment schedule, Company management shall document each Member Loan so that, upon the issuance and payment of earned patronage rebates to the Member, such Member shall be obligated to pay, or Member shall authorize Company to withhold from such patronage rebates, an amount equal to the fully amortized principal and interest payment for the preceding year (depending on the documented 3, 4 or 5 year amortization), less payments actually made by the Requesting Member under its Member Loan during the preceding fiscal year.
8. *Collateral and LTV Limitations.* As a condition precedent to the Company approving any Member Loan, Requesting Members shall be required to pledge certain collateral to secure the repayment of such Member Loan. If a Member Loan is collateralized with a pledge of its Class B stock of Company, the Member Loan shall not exceed eighty percent (80%) loan-to-value (LTV). A Member Loan that is collateralized with a pledge of substantially all of a Member's store assets and inventory shall not exceed fifty percent (50%) of the Fair Market Value of the store equipment, and twenty percent (20%) of the Fair Market Value of Inventory. The term "**Fair Market Value**" as used herein for store equipment shall be equal to the value of the equipment, in place, at a going concern value. The going concern value is the value of the equipment of the business as a going, active concern, rather than merely as items of property which would be the case, for example, in a liquidation sale. The term "**Fair Market Value**" as used herein for inventory, shall be equal to the wholesale cost of such inventory. If a Member Loan is collateralized with a mortgage of real estate, the Member Loan shall not exceed seventy percent (70%) LTV. A Member Loan that exceeds the applicable LTV limitation and falls "out of balance," shall require Member, within ten (10) days of demand by Company, to either: (a) tender a Member Loan payment to the Company sufficient to cure the LTV limitation requirement level; or (b) pledge additional collateral with sufficient Fair Market Value (to the benefit of Company), to cure the out of balance LTV, and comply with the LTV limitation requirement. A Member that fails, refuses, or for any reason is unable to bring its Member Loan back to requisite LTV level, such Member shall be deemed in default of its Member Loan.
9. *Loan Covenants.* The Member Loan documents set forth in paragraph 3 above shall include various performance covenants, default covenants, and remedies typically documented in commercial loan transactions. In addition, due to the nature of the Company's business, the following covenants will be included:
 - A. The indebtedness collateralized by the Member Loan documentation shall include all indebtedness of the Member to the Company including general Company receivables by such Member.

- B. Company must remain the Member/Borrower's "Primary Supplier" of grocery goods and inventory. The term "**Primary Supplier**" is defined as the Company providing over eighty percent (80%) of all warehouse provided goods and inventory for all of the Member's stores, excluding the MP Program and PP Program.
- C. Collateral shall always include Member/Borrower's Class B Stock, buying deposits, and patronage rebates.
- D. For Members with more than one (1) Member Loan outstanding or other loans issued from Company, multiple Member Loans and other loans shall be cross-collateralized and cross-defaulted.
- E. Although not necessarily set forth in the Member Loan documentation, all Members have pledged their Company stock for any unpaid debts due and owing to the Company pursuant to Article V, Section 7 of the Company's Amended and Restated Bylaws.
- F. Company shall retain audit rights against a Member and a Member's Member Loan(s) who receive the Active Participant discounts for purchase pricing related to the MP Program and the PP Program. Audits shall be instituted at the sole discretion of Company management, but shall be limited to requiring the Member to produce documentation solely necessary to ascertain the Member's purchases of the meat and produce departments within its Member stores, and shall be limited to reasonable inquiries of the Member for such purposes. In the event a Company audit uncovers any discrepancies or basis that effectively disqualifies the Member from its Active Participant status, said Member's applicable Member Loan interest rate shall be adjusted retroactively, accordingly. Upon demand, Member shall be pay all cost and expenses related to the Audit, plus any accrued interest that should have been properly paid up through the date of the interest rate adjustment.
- G. All Member Loans will have a prepayment penalty that is triggered solely upon a sale of a Member's store or stores to a Non-Member resulting in lost business to the Company. The penalty shall be calculated based on the default interest rate set forth in Member's Note, calculated retroactively from the effective date of the Member Loan, through and including the payoff date. Company may in its discretion forgo the collection of such prepayment penalty if it believes that the selling Member acted in good faith in seeking to sell its store to another Member.

10. *Default.* Upon default by Member of any term, condition, or covenant under a Member Loan (as set forth under the Member Loan documents), upon the default under this Member Loan Policy, or upon the failure of Member to maintain its membership or be good standing with Company, the Company may, in its sole discretion, exercise any or all of the following rights and remedies: (a) sue borrowing Member under the applicable promissory note; (b) sue appropriate guarantor(s) under

the personal guaranty(ies); (c) foreclose on any collateral or security granted pursuant to a security agreement; (d) foreclose on any property granted pursuant to a mortgage agreement; (d) in accordance with the Internal Revenue Code (I.R.C.) 26 U.S.C. § 6050P, issue Member an IRS Form 1099-C in the amount equal to the unpaid Member Loan if the unpaid Member Loan is in an amount of \$600 or greater; and/or (e) exercise any other right or remedy set forth under the Member Loan documents or available at law or equity.

11. *Notice of Subsequent Loans.* A Member that is granted a Member Loan(s), and any applicable guarantor who guarantees such Member Loan(s) shall notify Company in writing of any loan(s) obtained or applied for subsequent to the grant of a Member Loan by Company to such Member.
12. *Commencement.* This Member Loan Policy is effective on this 1st day of January, 2010.